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APPROVAL OF UNDP ASSISTANCE TO A PROJECT OF LAO PEOPLE'S DEMOCRATIC REPUBLIC

IPF:(1992-96) $42 300 000

(LAO/92/001) - Programme Support to Economic and Financial Management

Date of approval by the AC:[1]	29 July 1992	
Expected duration:	24 months	
Lead Government Authority:	Ministry of Economy, Planning and Finance (MEPF)	
Proposed Executing Agent:	MEPF	
Implementing Agents:	MEPF, IBRD, IMF, AsDB	
Proposed UNDP contribution:	$1 500 000	Source of funds: IPF
Total UNDP budget:	$1 500 000	
Administrative and Operational Support Services (AOS)	$ 37 500	Agency: AsDB
	$ 40 600	Agency: IMF
	$ 30 800	Agency: IBRD
Total AOS:	$108 900	

Project background

Under a previous project (LAO/90/006) UNDP has been providing support to the implementation of various reforms in the framework of the New Economic Mechanism, including foreign investment promotion, privatization of state-owned enterprises and legal reforms. Realizing that additional and better coordinated assistance would be required, the Government of the Lao People's Democratic Republic now requests supplementary inputs from UNDP to address the problem of limited technical capacity of the Ministry of Economy, Planning and Finance (MEPF) and its counterpart agencies at the provincial level to perform their economic and financial management functions effectively as the country proceeds in its transition from a centrally-planned to a market-based economic system.

A recent in-depth evaluation of the just completed project (LAO/90/006) in support of economic reforms, while recognizing good progress in achieving the project's objectives, had observed that considerably more time is required to assist the Government in both the formulation and implementation of the economic reform policy, that better coordination of the activities of the various implementing agents is required, as well as close working relationships between resident advisers and policy makers. The evaluators therefore recommended continuation of UNDP assistance through five separate projects (LAO/92/002) -

[1] This Fact Sheet reflects the status of the project/revision at the time it was approved by the Action Committee; modifications to the project/revision may have occurred subsequently.

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Tax and Customs Administration, (LAO/92/003) - Promotion of Foreign Investment, (LAO/92/004) - Legal Framework, (LAO/92/016) - Assistance to State Statistics Centre, and the present umbrella project (LAO/92/001) - Programme Support to Economic and Financial Management. Implementation of all projects, with the exception of the present one, has already started under advance authorization from the Resident Representative. The approval of the umbrella project is justified as it will establish a stronger capacity within the Lao PDR Government for planning, budgeting, coordination and expenditure management, in line with the recommendation of the LAO/90/006 evaluation mission and the March 1992 Round-Table Meeting.

Description of project

The development objective of the project is to promote a sustainable rate of economic growth and financial stability in a market-based economy by strengthening the capability of the MEPF in macroeconomic planning, policy analysis and coordination, aid coordination, public investment programming, budgetary, public expenditure monitoring, accounting and control, as well as cash management. The project will provide a comprehensive and integrated programme of technical assistance to strengthen the capability of the Government for macroeconomic planning, policy analysis and coordination, aid coordination, public investment programming, budgeting, public expenditure monitoring, accounting and control, and cash and internal debt management. By the end of the project, a synchronized and integrated system of planning, programming, budgeting and financing for economic and social development management of the Lao PDR in the context of the New Economic Mechanism will have been established and the rules and regulations for its implementation issued by the competent authorities. The ongoing restructuring of the MEPF in the context of a broader reorganization of the Government will have been completed.

Inputs

UNDP will provide 12 man-months of a CTA/programme manager for technical backstopping to the National Programme director in carrying out the responsibility for overall management and execution of the programme, including achievement of programme objectives, coordinating the formulation, testing and installation of the system referred to in the previous section; 12 man-months for an expert in financial management; 28 man-months of consultancies in the fields of macroeconomic planning, policy analysis, aid/debt management, budgeting, public accounting and auditing; a subcontract for public investment programming; 33 man-months of external fellowships; one study tour; vehicles and technical equipment; and miscellaneous costs.

Financial data

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Personnel	847 600
Subcontract	240 000
Training	279 000
Equipment	105 900
Miscellaneous	27 500
Total	1 500 000

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